

**SOUTH CAROLINA HIGHER EDUCATION  
TUITION GRANTS COMMISSION**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2006**

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# *State of South Carolina*



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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 23, 2007

The Honorable Mark Sanford, Governor  
and  
Members of the Commission  
South Carolina Higher Education Tuition Grants Commission  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Higher Education Tuition Grants Commission (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2006, in the areas addressed. The Commission's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. **Cash Receipts and Revenues**

- We inspected selected recorded deposits to determine if these deposits were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations.
- We inspected selected recorded deposits to determine if these deposits were recorded in the proper fiscal year.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in the State's accounting system (STARS) as reflected on the Comptroller General's reports to determine if recorded revenues were in agreement.
- We compared current year recorded revenues at the subfund and object code level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$1,000 – general fund, \$4,100 – earmarked fund, \$51,700 – restricted fund, and \$12,100 – federal fund) and  $\pm 10$  percent.

The individual transactions selected were chosen randomly. We found no exceptions as a result of these procedures.

2. **Non-Payroll Disbursements and Expenditures**

- We inspected selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations, were bona fide disbursements of the Commission, and were paid in conformity with State laws and regulations; if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded expenditures were in agreement.
- We compared current year expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$89,200 – general fund, \$5,500 – earmarked fund, \$51,000 – restricted fund, and \$12,100 – federal fund) and  $\pm 10$  percent.

The individual transactions selected were chosen randomly. We found no exceptions as a result of these procedures.

3. **Payroll Disbursements and Expenditures**

- We inspected selected recorded payroll disbursements to determine if the selected payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements and processed in accordance with the agency's policies and procedures and State regulations.
- We inspected selected payroll vouchers to determine if the vouchers were properly approved and if the gross payroll agreed to amounts recorded in the general ledger and in STARS.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement.
- We compared current year payroll expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$89,200 – general fund, \$5,500 – earmarked fund, \$51,000 – restricted fund, and \$12,100 – federal fund) and  $\pm 10$  percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions. We investigated changes of  $\pm 5$  percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

4. **Journal Entries and Appropriation Transfers**

- We inspected selected recorded journal entries and all interagency appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, the purpose of the transactions was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the agency's policies and procedures and State regulations.

The individual transactions selected for our test of journal entries were chosen randomly. Our findings as a result of these procedures are presented in Journal Entries in the Accountant's Comments section of this report.

5. **General Ledger and Subsidiary Ledgers**

- We inspected selected entries and monthly totals in the subsidiary records of the Commission to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger; and selected entries were processed in accordance with the agency's policies and procedures and State regulations.

The transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

6. **Reconciliations**

- We obtained all monthly reconciliations prepared by the Commission for the year ended June 30, 2006, and inspected selected reconciliations of balances in the Commission's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if accounts reconciled. For the selected reconciliations, we determined if they were timely performed and properly documented in accordance with State regulations, recalculated the amounts, agreed the applicable amounts to the Commission's general ledger, agreed the applicable amounts to the STARS reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Commission's accounting records and/or in STARS.

We judgmentally selected the fiscal year-end reconciliation and randomly selected one month's reconciliation for testing. Our finding as a result of these procedures is presented in Reconciliations in the Accountant's Comments section of this report.

7. **Appropriation Act**

- We inspected agency documents, observed processes, and/or made inquiries of agency personnel to determine the Agency's compliance with Appropriation Act general and agency specific provisos.

We found no exceptions as a result of the procedures.

8. **Closing Packages**

- We obtained copies of all closing packages as of and for the year ended June 30, 2006, prepared by the Commission and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements and if the amounts reported in the closing packages agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

9. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2006, prepared by the Commission and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of these procedures.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor and of the governing body and management of the South Carolina Higher Education Tuition Grants Commission and is not intended to be and should not be used by anyone other than these specified parties.



Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

**ACCOUNTANT'S COMMENTS**

## **SECTION A - VIOLATION OF STATE LAWS, RULES OR REGULATIONS**

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the agency require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

The condition described in this section has been identified as a violation of State Laws, Rules or Regulations.



## **RECONCILIATIONS**

We noted the Commission did not properly document and consistently perform reconciliations of its books to STARS. We also found the Commission did not reconcile its federal funds to the Comptroller General's Trial Balance by Subfund, Project, and GLA (CSA 467CM) report.

We performed a comparison of year-to-date revenues and ending cash balances from the Commission's accounting records to those reported in STARS and identified several differences. Because the Commission did not properly perform reconciliations, these differences were not identified and, if necessary, timely corrected in the Commission's accounting records.

Section 2.1.7.20 C. of the Comptroller General's Policies and Procedures Manual (STARS manual) requires that all agencies perform regular monthly reconciliations between their accounting records and STARS to ensure timely detection and correction of errors. Separate reconciliations should be performed of cash, revenue and expenditure accounts and must be performed at the level of detail in the Appropriation Act. Reconciliations must be performed at least monthly (i.e., shortly after month-end), be documented in writing in an easily understandable format with all supporting workpapers maintained for audit purposes, and be reviewed and approved in writing by an appropriate agency official other than the preparer. Further, the STARS manual states that errors discovered through the reconciliation process must be promptly corrected in the agency's accounting records and/or STARS as appropriate. In addition, Section 3.2.3.2. of the STARS manual requires all agencies receiving federal funds to perform monthly reconciliations between the CSA 467CM report and the agency records for each project and phase code.

We recommend that the Commission develop and implement procedures to ensure that reconciliations are performed in accordance with applicable State regulations.

## **SECTION B - OTHER WEAKNESS**

The condition described in this section has been identified while performing the agreed-upon procedures but it is not considered a violation of State Laws, Rules or Regulations.

## **JOURNAL ENTRIES**

During our test of journal entries we noted two of 25 journal entry documents tested did not contain evidence of proper approval. According to Commission personnel, the journal entries were posted when the approving officials were out of the office. Additionally, Commission personnel could not locate one of the journal entries we selected for testing.

Effective internal controls require adequate review of all transactions including adjustments. The review should be performed by persons knowledgeable of generally accepted accounting principles. Controls should also be in place to ensure that documentation is retained and filed in an orderly manner to support all recorded transactions.

We recommend the Commission take appropriate action to ensure journal entries are reviewed and approved in writing prior to posting. The Commission should also implement procedures to ensure proper safeguarding and accountability of documents.

## **MANAGEMENT'S RESPONSE**

**MANAGEMENT'S RESPONSE TO AGREED-UPON PROCEDURES OF SC TUITION  
GRANTS COMMISSION (H06) FOR YEAR ENDED JUNE 30, 2006**

**Finding:**

The report noted the Commission did not perform reconciliations of its books to STARS, but instead performed reconciliations to Comptroller General reports. The report also noted the Commission did not reconcile federal funds to the Comptroller General's Trial Balance by Subfund, Project, and GLA (CSA 467CM) report.

**Management Response:**

The method of reconciliation being used by the SCTG Commission was recommended by the State Auditors Office in the 1994 audit. Since that time, the method of reconciliation has never been questioned by the auditors. It does appear, however, that the new method being recommended by the report is more accurate and less time consuming. Therefore, the suggested method of reconciliation will be implemented by the SCTG Commission.

**Finding:**

Two (2) of twenty-five (25) journal entry documents tested did not contain evidence of proper approval.

**Management Response:**

Management has proper policies and procedures in place in regard to approval of journal documents. The two (2) journal entry documents that did not have proper approval were oversights by the Fiscal Officer.

4 copies of this document were published at an estimated printing cost of \$1.43 each, and a total printing cost of \$5.72. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.